

Message Text

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11

ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 FEA-02 AEC-11 AID-20 CEA-02

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R 150646Z AUG 74

FM AMEMBASSY BUJUMBURA

TO SECSTATE WASHDC 4409

INFO USDOC WASHDC

AMEMBASSY BRUSSELS

AMEMBASSY BUCHAREST

AMEMBASSY DAR ES SALAAM

AMEMBASSY KIGALI

AMEMBASSY KINSHASA

AMEMBASSY LUSAKA

AMEMBASSY NAIROBI

AMCONSUL BUKAVU

AMCONSUL LUBUMBASHI

C O N F I D E N T I A L BUJUMBURA 0489

USDOC FOR OFFICE OF INTERNATIONAL FINANCE AND INVESTMENT
(OIFI COM/BIC)

E.O. 11652: GDS

TAGS: BEXP, ENRG, EMIN, BY, TZ

SUBJ: GRB CONCLUDES PETROLEUM ACCORD WITH INTERSEAS

REF: MEMORANDUM DATED JULY 17, 1974 (SENT AF/C ONLY)

1. GRB NEWS BULLETIN AUGUST 5 (COPY POUCHED AF/C) ANNOUNCED
RETURN OF HIGH-LEVEL GRB DELEGATION FROM NEW YORK WHOSE
"PRINCIPAL" PURPOSE WAS THE CONCLUSION OF A SERVICE CONTRACT
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WITH INTERNATIONAL SUBSEA DEVELOPMENT CORP (INTERSEAS, 444

MADISON AVENUE, NEW YORK) FOR EXPLORATION AND EXPLOITATION OF PETROLEUM DEPOSITS BENEATH LAKE TANGANYIKA AND THE RUZIZI RIVER PLAIN. PRELIMINARY STUDIES ARE SCHEDULED TO BEGIN WITHIN TWO MONTHS, AND ACTUAL EXPLORATORY DRILLING, ALL AT INTERSEAS' EXPENSE, WITHIN SIX MONTHS. IF INTERSEAS DISCOVERS OTHER MINERALS DURING EXPLORATION, IT WILL GET PRIORITY CONSIDERATION IN NEGOTIATION OF ANOTHER SERVICE CONTRACT. GRB STRESSED THAT INTERSEAS IS NOT GETTING A CONCESSION AREA, BUT WILL PAY A BASIC FEE FOR THE PERMIT, PLUS AN UNDISCLOSED PORTION OF ANY REVENUES REALIZED.

2. COMMENT: DOCUMENTS ON EARLIER STAGES OF THIS DEAL, WHICH EMBASSY ACQUIRED IN FEBRUARY AND MARCH, INDICATE THAT GRB AND INTERSEAS HAVE BEEN IN TOUCH SINCE LATE 1972 AND THAT PRELIMINARY LETTER OF INTENT ON PETROLEUM EXPLORATION WAS SIGNED BY MINISTER OF THE ECONOMY IN JULY 1973 (THOUGH APPARENTLY NEVER RATIFIED FORMALLY BY GRB). SUBSEQUENTLY, AFTER UNDP MINERALS SURVEY TEAM HAD ISSUED PRELIMINARY REPORT CONFIRMING EVIDENCE OF LARGE SCALE NICKEL DEPOSITS ELSEWHERE IN BURUNDI, MINISTER OF ECONOMY LAST NOVEMBER ASKED INTERSEAS FOR A DRAFT LETTER OF INTENT THAT MIGHT LEAD TO A SERVICE CONTRACT FOR EXPLORATION AND EXPLOITATION OF THOSE DEPOSITS BY INTERSEAS AS WELL.

3. TOP INTERSEAS EXECUTIVES SPENT SOME TIME IN BUJUMBURA IN JANUARY AND FEBRUARY THIS YEAR TRYING TO SEW UP THE TWO AGREEMENTS, BUT GRB PUT FORWARD UNACCEPTABLE DEMANDS. THIS WAS APPARENT EFFORT BY GRB TO AVOID FINAL COMMITMENT TO INTERSEAS, AT LEAST ON NICKEL, UNTIL IT HAD EXPLORED OTHER OPTIONS. ON LEAVING BUJUMBURA, INTERSEAS MANAGERS LEFT LETTER WITH GRB STATING THAT IT WOULD NOT CHANGE TERMS OF ORIGINAL PETROLEUM AND MINING OFFERS AND WOULD KEEP THEM OPEN ONLY UNTIL JULY 1.

4. MEANWHILE, GRB PURSUED NICKEL PROJECT BOTH WITH PRIVATE INTERESTS AND WITH ROMANIA. WITH LATTER, TENTATIVE AGREEMENT WAS DRAFTED DURING JANUARY 8 - 15 SESSION OF BILATERAL TECHNICAL AND ECONOMIC COOPERATION COMMITTEE IN CONFIDENTIAL

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BUCHAREST COVERING BOTH FORMATION OF A MIXED ROMANIAN-BURUNDI COMPANY TO EXPLOIT THE NICKEL DEPOSITS AND PLANS FOR A ROMANIAN STUDY OF PETROLEUM PROSPECTS IN THE RUZIZI PLAIN. VISIT OF BURUNDI FONMIN SIMBANANIYE TO BUCHAREST LATE IN APRIL EVIDENTLY AGAIN TOUCHED ON PLANS FOR POSSIBLE ROMANIAN ECONOMIC ROLE INBURUNDI, BUT NO AGREEMENT WAS ANNOUNCED, AND THE FOLLOW-UP SECOND SESSION OF THE COOPERATION COMMITTEE IN BUJUMBURA EARLY IN JUNE

ANNOUNCED ONLY RELATIVELY SMALL ROMANIAN PROJECTS IN BURUNDI, NONE INVOLVING NICKEL OR PETROLEUM.

5. THROUGHOUT THE FIRST HALF OF THIS YEAR, GRB WAS APPARENTLY BECOMING MORE AND MORE ATTRACTED TO LARGE SCALE INTERNATIONAL CONSORTIUM PROJECT ON NICKEL WHICH TEMPELSMAN COMPANY OF NEW YORK WAS SKETCHING OUT; AND, IN RETROSPECT, IT NOW SEEMS CLEAR THAT BY APRIL GRB HAD DECIDED THIS WAS BEST WAY TO ATTRACT LARGE-SCALE INVESTMENT, AT SAME TIME AVOIDING DEPENDENCE ON SINGLE COUNTRY OR MINING GROUP.

6. ACCORDINGLY, IN JUNE, GRB THREW SOP TO BUCHAREST BY SPECIFYING TO TEMPELSMAN THAT ROMANIA MUST BE ONE OF PARTICIPANTS IN CONSORTIUM; AND IT REOPENED NEGOTIATIONS WITH INTERSEAS BEFORE JULY 1 DEADLINE ON PETROLEUM EXPLORATION (IN WHICH ROMANIANS MAY WELL HAVE BY THEN LOST INVESTMENT INTEREST ANYWAY). INTERSEAS IS EVIDENTLY ENOUGH OF A RISK-TAKING ENTERPRISE TO TACKLE THE PETROLEUM EXPLORATION EVEN WITHOUT PARTICIPATION IN THE NICKEL PROJECT. HOWEVER, SINCE IT IS MOST UNLIKELY TO FIND OTHER MINERAL DEPOSITS IN THE RUZIZI-TANGANYIKA AREA, FAVORED ACCESS TO SUCH DEPOSITS ANNOUNCED ON AUGUST 5 WILL PROBABLY HAVE NO PRACTICAL EFFECT.

7. FINALLY, THOUGH TEMPELSMAN CLEARLY HAS THE FAR INSIDE TRACK AS OF THE MOMENT, IT MUST BE RECALLED THAT HE TOO IS OPERATING ONLY ON A LETTER OF INTENT SIGNED BY GRB. HIS PLANS FOR ORGANIZATION OF THE CONSORTIUM WILL NOT JELL BEFORE END OF 1974 AT EARLIEST, AND FURTHER NEGOTIATIONS WITH GRB WILL THEN HAVE TO ENSUE ANYWAY (BUJUMBURA A-68, AUGUST 2). IF FINAL UNDP MINERAL SURVEY REPORT, DUE OUT WITHIN MONTH, SHOULD PAINT GLOWING CONFIDENTIAL

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PICTURE OF DEPOSITS, OTHER INTERESTED FOREIGN FIRMS MAY BE STIMULATED TO GREATER ACTION, AND GRB IS CERTAINLY NOT ABOVE PLAYING THEM OFF AGAINST EACH OTHER AND AGAINST TEMPELSMAN FOR BETTER DEAL.
MARK

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